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February 23, 2006

VIA HAND DELIVERY
Ms. Victoria J. Rutson
Chief, Section of Environmental Analysis
Surface Transportation Board
1925 K Street, NW, Suite 500
Washington, DC 20423-001

Re: *STB Finance Docket No. 34821, Norfolk Southern Railway Company - Trackage Rights Exemption - Meridian Speedway LLC;*

STB Finance Docket No. 34822, Kansas City Southern, The Kansas City Southern Railway Company and Meridian Speedway, LLC - Exemption for Transactions within a Corporate Family; and

STB Finance Docket No. 34823, Kansas City Southern Railway Company - Trackage Rights Exemption - Meridian Speedway

Dear Ms. Rutson:

As explained in more detail below, Norfolk Southern Railway Company ("NSR"), Kansas City Southern ("KCS"), The Kansas City Southern Railway Company ("KCSR") and Meridian Speedway, LLC ("MSLLC") (collectively, the "Parties") are providing you with certain information relevant to the application of 49 CFR 1105.6(c) and 49 CFR 1105.8(b) to the above-identified exemption notices filed with the Surface Transportation Board ("STB") on January 17, 2006.

On January 17, 2006, the Parties filed three separate Verified Notices of Exemption for authority to implement a series of agreements regarding KCSR's existing rail line between Shreveport, LA and Meridian, MS ("the Line"). The series of agreements by the Parties address existing capacity limitations on the Line while perpetuating the cooperative arrangements that NSR and KCSR have had in place for more than a decade to handle freight traffic over the Line. Indeed, since 2000, KCSR has provided haulage rights to NSR whereby KCSR hauls intermodal traffic for NSR's account over the Line, traffic whose growth railroads and other modes of transportation have been increasingly challenged to handle. As the rest of the rail industry has also experienced, the Line is near full capacity and this constraint reduces speeds, causes congestion, and limits the amount of customers' traffic that could potentially be moved over the Line. The agreements between the Parties directly address these limitations.

The proposed new arrangements made possible through the various agreements are before the Board in three notices of exemption. First, KCS has created a wholly-owned subsidiary – MSLLC. KCS has filed its Verified Notice of Exemption pursuant to the intra-corporate family exemption to effectuate the transfer of the Line from KCS to MSLLC, to establish KCSR as the contract operator for MSLLC, and to allow certain trackage rights to be assigned from KCSR to MSLLC.[1] In accordance with the categorical exclusion from environmental review established by the STB under 49 CFR 1105.6(c)(2)(ii), this intra-corporate family transaction is exempt from STB environmental review. In addition, pursuant to the exception set forth at 49 CFR 1105.8(b)(2), no historic review under the National Historic Preservation Act of 1966 is required for this intra-corporate family transaction.

Second, KCSR has also filed a Verified Notice of Exemption for KCSR to obtain trackage rights over the Line from MSLLC. The purpose of the trackage rights is to allow KCSR to continue to operate over the Line in order to serve its customers in the same manner as it does today. Pursuant to 49 CFR 1105.6(c)(4), these trackage rights are categorically excluded from environmental review by the STB. Further, in accordance with 49 CFR 1105.8(b)(3), no historic review is required for these trackage rights.

Third, NSR has filed a Verified Notice of Exemption to acquire trackage rights over the Line once the Line is transferred to MSLLC. While the agreements contemplate the continuation of NSR's haulage rights over the Line for intermodal traffic, which is how NSR's traffic is handled over the Line today, the notice of exemption for trackage rights filed by NSR will nonetheless allow NSR to handle that intermodal traffic over the Line via trackage rights in the event that certain contractual service standards are not met. As in the case of the KCSR trackage rights exemption notice, the NSR trackage rights are categorically excluded from environmental review pursuant to 49 CFR 1105.8(c)(2)(ii) and pursuant to 49 CFR 1105.8(b)(3) are not subject to historic review.

[1] KCSR currently operates via trackage rights over approximately four-tenths of a mile section of track in Jackson, MS, that is controlled by Canadian National Railway Company (CN) as successor to Illinois Central Gulf Railroad Company (IC) pursuant to a trackage rights agreement dated March 26, 1986, between MidSouth Rail Corporation and IC (Jackson Trackage Rights Agreement). KCSR also currently operates over a railroad bridge over the Mississippi River at Vicksburg, MS, pursuant to a lease agreement between the Vicksburg Bridge and Terminal Company and The Yazoo and Mississippi Valley Railroad Company dated February 11, 1928, as amended and/or replaced from time to time (Vicksburg Bridge Lease). The transaction contemplates having both the Jackson Trackage Rights Agreement and the Vicksburg Bridge Lease assigned to MSLLC.

One of the major purposes of the various agreements between the Parties is to provide a financing mechanism by which capital can be infused into the Line in order to facilitate and expedite certain track improvements across the 320-mile Line. These improvement projects have been in various stages of consideration by KCSR over the years. Indeed, most of the improvements that will be made to the Line as part of the agreements have been included in KCSR's capital improvement plans, and KCSR intended to implement these capacity improvements regardless of whether or not it had reached any agreements with NSR with respect to financing these improvements. Examples of planned improvements to the Line include the extension or addition of sidings at several locations along the line, double tracking certain existing single main tracks, replacing or rehabilitating deteriorating bridges, and improving the configuration of the existing connections. While these projects are currently part of KCSR's planned capital improvement projects for the Line, and KCSR had the ability to fund these improvements absent NSR's capital investment through the Parties agreements, it could only have funded and implemented these projects on a longer term capital plan and at a much slower pace than is now planned. The Parties' agreements now make it possible for KCSR to finance and implement these capital project plans on a much shorter time frame and to do so more efficiently than if KCSR were to continue to finance these improvements with only its own funds.

Although the three notices of exemption each qualify for a categorical exclusion from the environmental and historic review requirements, and thus no further environmental or historic documentation is necessary, the Parties can nonetheless state that the trackage rights and intra-corporate family transactions before the Board will not cause the STB's thresholds at 49 CFR 1105.7(e)(4) and (5) to be met or exceeded. While KCSR hopes to increase traffic over the Line as capacity expands and the economy grows, such traffic growth, if it occurs at all, will not be the result of any actions subject to the Board's review. Rather, as noted, KCSR has planned for numerous capital improvements on the Line. Those improvements will be implemented as necessary to accommodate any traffic growth regardless of whether the notices of exemption take effect. As such, although the capacity improvements previously planned by KCSR will now be accelerated because of the Parties' agreements, KCSR does not anticipate any additional KCSR traffic to develop on the Line as a result of the three notices of exemption.[2]

As for NSR, without the acceleration of the capacity improvements made possible by the Parties' series of agreements, NSR would have likely seen very little growth above its existing traffic levels, even if the haulage agreement with KCSR were extended beyond its December 31,

[2] Although Section 6.b of the Norfolk Southern Railway Company – Meridian Speedway LLC Joint Use Agreement includes a formula for allocating post-agreement train starts on the Line, the train starts referenced therein are not traffic projections and do not reflect in any way expectations by either KCSR or NSR as to either railroad's likely future traffic over the Line. Rather, the allocation provisions are necessary because the agreements between the Parties are intended to continue in perpetuity, and some mechanism was required to reflect the allocation of capacity over time. The allocation provision in that document does not reflect the Parties' reasonable forecasts of traffic on the Line for any period of time in the future.

2006 expiration date. This is because of all the capacity improvement projects KCSR has had under consideration, those that KCSR slotted for priority implementation were directed mainly at accommodating the organic growth in KCSR's traffic, leaving very little of that expanded capacity available to NSR. With the Parties' agreements, however, capital projects of lesser priority for the Line that KCSR has had under consideration will now be accelerated to accommodate some additional growth in NSR's intermodal traffic over the Line. After careful analysis of the issue, NSR reasonably projects its traffic to increase an average of 3.6 NSR trains per day over the course of 5 years, excluding NSR's existing traffic base and the minimal organic growth that NSR would have expected the Line to accommodate on its customers' behalf regardless of the occurrence of the transaction.[3]

Thus the trackage rights that are the subject of Finance Docket Nos. 34821 and 34823 are projected to result in an increase of only an average of 3.6 trains per day over 5 years. The projected increase in traffic due to both of the trackage rights transactions subject to the Board's review is well under the STB environmental review thresholds of an increase of at least eight trains per day or a 100% increase in rail yard activity. Therefore, the trackage rights exemption notices would not, even without the categorical exclusion from environmental review provided by STB regulations for trackage rights actions, have enough potential for significant impacts to warrant further environmental documentation.[4] Likewise, the intra-corporate family action that is the subject of a related notice of exemption filed by KCSR should similarly be excluded from further environmental documentation because transfer of the Line by KCSR to its subsidiary, MSLCC, continued control of MSLCC by KCSR, and operation of the Line by KCSR on behalf of MSLCC will have no impact on the level of traffic to be operated over the Line or other operational impacts of a nature potentially relevant to environmental review. Accordingly, the Parties believe that no further environmental documentation for their trackage rights or intra-corporate family transaction exemption notices is required. As a result of the three notices of exemption, there will be no substantial changes in the operation of the Line or the levels of ongoing maintenance on the Line.[5]

[3] If NSR and KCSR had not entered into the various agreements and instead merely acted to extend the haulage agreement that currently is to expire at the end of 2006, NSR projects that it would have seen a nominal average of 0.7 trains per day of additional growth over 5 years in its traffic on the Line.

[4] As noted, because KCSR would have accommodated any of its own traffic growth over the Line through its own capital improvement program regardless of the NSR investment and agreements, KCSR projects zero additional growth over 5 years in its traffic on the Line as a result of the notices that are subject to the Board's review. Accordingly, the thresholds at 49 CFR 1105.7(e)(4) and (5) are not reached.

[5] Further, the trackage rights and the intra-family corporate notices are not expected to result in rail to motor carrier diversions or to impact the volume of truck or vehicular traffic, recyclable commodities, overall energy efficiency or the transportation of ozone depleting materials.

As a final matter, in addition to accelerating the available capacity and efficiency of the Line to accommodate potential future traffic, the agreements will also provide important safety improvements on the Line. These safety improvements can now be implemented in the near term rather than through the piecemeal, long-term process previously planned by KCSR. These improvements will result in roadbed, track, and structure improvement across the 320-mile Line that will simply provide for safer operations over the entire Line. Included among such infrastructure improvements is a program to add Centralized Track Control ("CTC") to the 80% (264.7 miles of track) of the Line that currently lacks CTC. CTC is a state-of-the-art technology that combines computers, radio signals, and microwave communication to control railway movements through signals and switches that are remotely controlled by a train dispatcher at a central office. The CTC system is partially automated and designed to permit only one train at a time to occupy a block of track. CTC-controlled signals are designed to prevent operation of a train over a diverging switch at an unsafe speed.

The Federal Railway Administration has described the important safety benefits of CTC as follows:

> The dispatcher can be miles away and see a track and various trains' positions on it through a large screen. Through computers, radio, and microwave communication, the dispatcher can safely control movement over hundreds of miles of track. Block signals, CTC and radio communication increase both the safety and efficiency of railroad operations.[6]

This will certainly be the case with KCSR's operations over the Line in a post-agreement environment. The addition of CTC and the other improvements should also increase transit speeds over the Line, helping to reduce delays at grade crossings and improving the fluidity and efficiency of trains operations through the various communities along the Line.

Very truly yours,

William A. Mullins

cc: James A. Squires, Esq.
Robert B. Terry, Esq.

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[6] How Railroads Work, Federal Railroad Administration, available at http://www.fra.dot.gov/us/content/1407.